

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 ERDA-07 AID-05 CEA-01 CIAE-00

CIEP-02 COME-00 DODE-00 FEAE-00 FPC-01 H-02 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-05

SP-02 SS-15 STR-04 TRSE-00 FRB-01 PRS-01 PA-02 USIA-15

/107 W

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R 111339Z APR 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 0093

INFO AMCONSUL EDINBURGH

UNCLAS SECTION 01 OF 02 LONDON 05478

E.O. 11652: N/A

TAGS: ENRG, UK

SUBJECT: PETROLEUM AND SUBMARINE PIPELINE BILL

REF: LONDON A-729, DATED SEPTEMBER 12, 1974

1. THE GOVERNMENT INTRODUCED ITS PETROLEUM AND SUBMARINE PIPELINES BILL APRIL 9. BILL SETS OUT STRUCTURE OF BRITISH NATIONAL OIL CORO AND OUTLINES EXTENSIVE POWERS THE GOVERNMENT WILL TAKE TO SUPERVISE DIRECTLY OIL INDUSTRY INVESTMENT IN EXPLORATION, PRODUCTION, PIPELINES AND REFINERIES. IN ANNOUNCING THE BILL, ENERGY MINISTER ERIC VARLEY DESCRIBED IT AS A MAJOR STEP IN FULFILLING THE LABOR PARTY'S MANIFESTO PLEDGE OF SECURING EFFECTIVE CONTROL OF OIL AND GAS RESOURCES OFF BRITAIN'S COASTS FOR THE BRITISH PEOPLE.

2. THE LONG-AWAITED BILL ESSENTIALLY FILLS OUT THE DETAILS AND ENFORCES THE MAIN DIRECTIONS OF NON-FISCAL POLICY TOWARDS OFFSHORE EXPLORATION AND DEVELOPMENT, REFINING AND PIPELINE OPERATIONS ALREADY SET OUT IN UNCLASSIFIED

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GOVERNMENT STATEMENTS OVER THE LAST YEAR. ITS MOST IM-

IMPORTANT PROVISIONS CONCERN SETTING UP THE BRITISH NATIONAL OIL CORPORATION (BNOC) TO MANAGE STATE PARTICIPATION IN OFFSHORE FIELDS AND TO TAKE OVER THE NORTH SEA ASSETS CURRENTLY HELD BY THE NATIONAL COAL BOARD. ALTHOUGH HAVING WIDE POTENTIAL POWERS TO PRODUCE, REFINES AND MARKET OIL, BNOC WILL HAVE TO SEEK GOVERNMENT CONSENT FOR ANY MAJOR DEVELOPMENT SUCH AS REFINING OR FOREIGN EXPLORATION.

3. A NATIONAL OIL ACCOUNT IS ALSO TO BE SET UP TO HOLD THE CORPORATION'S REVENUES THROUGH PARTICIPATION AS WELL AS THE STATE'S ROYALTY DUES AND TO ALLOCATE FUNDS TO THE CORPORATION, PASSING ON ANY SURPLUS TO THE TREASURY. THE BILL ALSO INCLUDES A NUMBER OF DETAILED PROVISIONS CHANGING EXISTING LICENSE TERMS TO INCLUDE GREATER POWERS OF GOVERNMENT SUPERVISION OF EXPLORATION AND DEVELOPMENT PROGRAMS, POWERS TO CONTROL THE RATE OF DEPLETION AND AUTHORITY TO ENFORCE GREATER DISCLOSURE OF INFORMATION. A PIPELINE SECTION HAS BEEN ADDED TO GIVE THE STATE THE RIGHT TO RATIONALIZE PIPELINE SYSTEMS, ENFORCE SAFETY REGULATIONS AND ENSURE THAT ADDITIONAL FINDS CAN BE TAKEN INTO PIPELINES ALONG THEIR ROUTE. OTHER SECTIONS GIVE THE GOVERNMENT THE POWER TO AUTHORIZE ALL NEW REFINERY INVESTMENTS AND EXPANSIONS INVOLVING MORE THAN 500,000 TONS A YEAR ADDITIONAL CAPACITY.

4. THERE ARE ALSO CERTAIN FURTHER FINANCIAL PROVISIONS GIVING THE SECRETARY OF STATE FOR ENERGY THE POWER TO MAKE LOANS AND GUARANTEES TO FACILITATE PETROLEUM DEVELOPMENT AS WELL AS THE PARLIAMENTARY AUTHORITY TO CARRY OUT THE INITIAL PROMISE OF A 350 MILLION POUND GUARANTEE TO THE BANK OF ENGLAND IN RESPECT OF ITS SUPPORT OPERATIONS FOR THE BURMAH OIL COMPANY.

5. INITIAL PRESS REACTION HAS BEEN MIXED. FINANCIAL

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TO SECSTATE WASHDC 0094

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TIMES EDITORIAL STATES THAT THE BILL FALLS INTO THE DIS-
MAL PATTERN OF SOME OTHER RECENT MAJOR LEGISLATION BY THE
PRESENT GOVERNMENT IN THAT IT PROPOSES "A MAJOR EXTENSION
OF BUREAUCRATIC POWER FOR THE MINIMAL, DISCERNIBLE REA-
SON." IT GOES ON TO SAY THAT THE PRESENT BILL "SEEMS TO
BE BORN OF THREE THINGS: THE DEPARTMENT'S OWN DISTRUST
OF THE EXISTING AND ILLOGICALLY STRUCTURED FUEL COR-
PORATIONS AND ITS CONCERN TO CONSERVE ITS OWN POWERS AS
SOLE HIGH PRIEST OF ENERGY POLICY, GENERALLY; THE GOVERN-
MENT'S DESIRE TO PROVE THAT IT IS REALLY BEING TOUGH WITH
THE OIL COMPANIES AND THE WORDING OF THE LABOR PARTY'S
MANIFESTO. THESE ARE ALL BAD EXCUSES FOR BAD POLICIES
WHICH ARE LIKELY TO FRIGHTEN ENTERPRISE AWAY AND THUS IN-
CREASE THE RISK THAT OIL WILL NOT FLOW IN ADEQUATE
QUANTITIES." THE GUARDIAN, THOUGH GENERALLY IMPRESSED
WITH THE BILL, POINTS OUT THAT COMPLAINTS OF UNFAIR COM-
PETITION ARE LIKELY SINCE THE BNOC IS RELIEVED OF THE
NEED TO PAY THE GOVERNMENT'S PETROLEUM REVENUE TAX.
FINALLY, OPPOSITION SHADOW SPOKESMAN ON ENERGY PATRICK
JENKIN IS REPORTED TO HAVE ATTACKED THE BILL AS A FURTHER
DISCOURAGEMENT TO INVESTMENT BY THE MAJOR OIL COMPANIES
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WHICH WOULD NOT RESULT IN CHEAPER OIL.

6. TEXT OF BILL WILL BE POUCHED AS SOON AS AVAILABLE.

RICHARDSON

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Message Attributes

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